

Message Text

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APPROVED BY EUR/TT: RJWALDMANN

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EUR/CE: NCLEDSKY

EB/OA: JSMEADOWS

EUR/NE: SGEORGE

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TO AMEMBASSY LONDON IMMEDIATE

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USMISSION BERLIN IMMEDIATE

INFO USMISSION NATO

AMEMBASSY PARIS

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C O N F I D E N T I A L STATE 177253

E.O. 11652: GDS

TAGS: ETRN, WB, GW, UK

SUBJECT: BEA THREATENS TO TERMINATE BERLIN SERVICES

REF: (A) LONDON 9969 (B) BERLIN 1489 (C) BONN 12379

1. BRITISH, IN TWIN BUT SEPARATE APPROACHES TO DEPARTMENT
SEPTEMBER 4 (BY CHARGE SYKES TO SPRINGSTEEN, AND BY MINECON
CORTAZZI TO WALDMANN) PROPOSED HOLDING "HIGH LEVEL" BILATER-
AL TALKS IN WASHINGTON AT EARLY DATE IN ORDER SEEK LONG-
TERM REMEDY FOR ALLEGED PERSISTENT LOSSES BY BEA IN OPERAT-
ING INNER-GERMAN SERVICES.

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2. CORTAZZI, READING FROM AIDE-MEMOIRE, WHICH HE LEFT WITH

DEPARTMENT (TEXT IN SEPTEL) SAID THAT 1972 FARE INCREASE AND THE CAPACITY ARRANGEMENTS WORKED OUT BY PAA AND BEA IN WASHINGTON TALKS LAST FEBRUARY, HAD NOT BEEN SUFFICIENT TO ENABLE BEA TO TURN A PROFIT ON ITS BERLIN SERVICES. AS A RESULT, BRITISH AIRWAYS BOARD (BAB), WHICH CONTROLS BEA, IS CONSIDERING A PLAN TO WITHDRAW COMPLETELY FROM THE BERLIN ROUTES. BECAUSE OF POLITICAL IMPORTANCE OF BERLIN SERVICES AND FACT THAT ENTIRE BERLIN AVIATION SITUATION IS CHANGING, HMG WOULD PREFER TO EXPLORE WITH US OFFICIALS POSSIBLE REMEDIES TO BEA'S PROBLEM. THE BRITISH SUGGEST THAT THE REMEDIES MIGHT INCLUDE SOME COMBINATION OF FARE INCREASE, FURTHER CAPACITY ADJUSTMENTS, AND AN INCREASE IN THE FRG SUBSIDY. THIS LAST MIGHT EVENTUALLY REQUIRE LUFTHANSA PARTICIPATION IN IGS (COMMENT: PRESUMABLY AS QUID PRO QUO TO FRG).

3. SYKES TOOK LINE THAT BERLIN AVIATION PROBLEM REQUIRES "URGENT" AND "SERIOUS" LOOK, AND PROPOSED THAT TALKS BE CONVENED IN WASHINGTON AND BY EMBASSIES IN BONN NEXT WEEK IF POSSIBLE. HE PARTICULARLY STRESSED THE NEED FOR AN INCREASE IN THE FRG SUBSIDY.

4. SPRINGSTEEN AND WALDMANN, EACH DRAWING ON REFS B AND C, RESPONDED THAT DISCUSSION OF FARE ISSUE IN PARTICULAR SHOULD AWAIT RESOLUTION OF COST ISSUES INHERENT IN TEGEL/TEMPELHOF TRANSFER PROBLEM, ADDING THAT LATTER PROBLEM WILL BE DISCUSSED IN BCATAG FORUM SEPTEMBER 19. EACH POINTED OUT ALSO THAT WINTER SCHEDULES FOR BEA AND PAA WILL BE CUT BACK FROM 1972-73 LEVEL, AND THAT NUMBER OF TEMPORARY DESTABILIZING FACTORS ARE ALSO AT WORK. EACH AGREED TO STUDY UK PROPOSAL AND GIVE COORDINATED US RESPONSE AT EARLY DATE.

5. UNLESS EMBASSIES OR USBER PERCEIVE OBJECTIONS, WE WOULD INTEND TO RESPOND TO UK IN WASHINGTON EARLY NEXT WEEK ALONG FOLLOWING LINES:

(A) WE HAVE STRONG POLITICAL INTEREST IN HAVING BEA CONTINUE TO PARTICIPATE IN BERLIN AIR SERVICES, AND WILL DO WHAT WE CAN TO ASSIST BRITISH IN OVER-
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COMING CURRENT DIFFICULTIES.

(B) WE ASSUME UK HAS SIMILAR POLITICAL INTEREST IN RETAINING BERLIN SERVICE, AND THEREFORE WILL NOT LET MATTER OF THIS IMPORTANCE BE DECIDED SOLELY ON COMMERCIAL BASIS.

(C) UK AIDE-MEMOIRE HAS NOT SUPPLIED SUFFICIENT DATA

ON WHICH EXPLORATORY DISCUSSION CAN BE HELD. IT IS THEREFORE NECESSARY THAT UK PROVIDE ASAP INFORMATION ON BEA SITUATION INCLUDING THE EXTENT OF CURRENT AND FUTURE BEA LOSSES:

(D) ON PRELIMINARY BASIS WE BELIEVE FARE INCREASES AT PRESENT TIME WOULD BE DIFFICULT TO JUSTIFY IN VIEW OF RATE INCREASES EARLIER THIS YEAR AND THE APPROVED CUTBACKS IN SERVICES FOR WINTER SEASON.

(E) WE CONSIDER IT MOST UNLIKELY THAT FRG WOULD EXPAND SUBSIDY FOR BERLIN AIR SERVICES, AND BELIEVE ANY JOINT VENTURE WITH FRG COULD UNDERMINE LEGAL BASIS FOR TRIPARTITE OPERATIONS IN BERLIN AIR CORRI-

DORS.

(F) SEEMS LIKELY, THEREFORE, THAT SOLUTION TO BRITISH PROBLEM MUST BE SOUGHT INITIALLY IN OTHER DIRECTIONS. WE WOULD BE PREPARED DISCUSS MATTER IN WASHINGTON BILATERALLY IN GENERAL, NON-TECHNICAL TERMS AT UK CONVENIENCE. ONCE THIS DISCUSSION CONCLUDED AND POSSIBLE SOLUTIONS IDENTIFIED, MATTER COULD THEN BE RAISED IN DETAIL IN QUADRIpartite FORUM IN BONN. RUSH

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